

Loan Disbursement and Recovery System of Commercial Banks

(With special reference to Nepal Bank Ltd. & Agriculture Development Bank Ltd.)

A T H E S I S

SUBMITTED BY:

Birendra Kumar Mandal
R.R.M Campus Janakpur
Campus Roll No. 14/062
T.U. Reg. No. 7-1-14-952-2000
MBS Symbol No. 482

SUBMITTED TO:

Office of the Dean
Faculty of Management
Tribhuvan University

In the partial fulfillment of the Requirements for the Master
Degree of Business Studies (M.B.S.)

Janakpur Dham

June, 2009

DECLARATION

I hereby declare that the work reported in this thesis entitled to “Loan Disbursement and Recovery System of Commercial Banks (With special reference to Nepal Bank Limited and Agriculture Development Bank)” submitted to R. R. M. Campus, Faculty of Management, T.U. is my original work done in the form of partial fulfillment of Master of Degree (MBS) under the supervision of Mr. Binod Shah of R. R. M. Campus, Janakpurdham.

Birendra Kumar Mandal
Researcher
R. R. M. Campus Janakpur
Roll No:- 14/062
T.U. Reg. 7-1-14-952-2000

ACKNOWLEDGEMENT

I hereby declare that the thesis entitled “Loan Disbursement and Recovery System of Commercial Banks (with special reference to Nepal Bank Limited and Agriculture Development Bank Ltd.) submitted to R. R. M. Campus, Faculty of Management. Thesis writing is my original work done in the form of partial fulfillment of the requirement for the Master of Business Studies (M.B.S.)

All the data and information here in are genuine to the best of my knowledge and can be fully relied upon me.

First of all I am fortunate to acknowledge associate Lecturer Mr. Binod Shah whose supervision and valuable guidance as well as co-operation has provided me in completing this research work. Without his valuable suggestions and time I would not have been able to complete this study. Similarly, I express my sincere gratitude to Mr. Sailendra Singh, Head of Research Department, RRM for his help in preparing thesis proposal, and finalizing this thesis. I also express my sincere gratitude to Dr. B.D. Jha Professor of RRM for his valuable support.

I acknowledge all my friends including Birendra Mandal, Ajay Mishra, Ram Bhoshan Singh and Preety Jha, Shambhu Sah for their valuable support.

Likewise, my thanks go to Mr. Ramdip Sah for his vital support in computer work and designing of this thesis.

I am grateful to the Campus Administrative staff as well as staff of library of R.R.M Campus, Janakpur and staff of T.U. Central Library.

Last but not least, I am indebted to all those authors, whose books have been consulted for preparing this thesis. I have also taken references from existing literatures. I, sincerely, acknowledge the references used in completing this study.

June, 2009

Birendra Kumar Mandal

Researcher

TABLE OF CONTENTS

| | |
|----------------------|----------|
| Viva- Voce sheet | Page No. |
| Recommendation | |
| Declaration | |
| Acknowledgement | |
| Table of Contents | |
| List of tables | |
| List of figures | |
| List of Abbreviation | |

CHAPTER I

| | |
|--|-------------|
| Introduction | 1-12 |
| 1.1. Background of the study: | 1 |
| 1.1.1 Background of Nepal Bank Limited | 4 |
| 1.1.2 Background of Agriculture Development Bank | 6 |
| 1.2 Focus of the Study | 8 |
| 1.3 Statement of the Problem | 8 |
| 1.4 Objective of the Study | 9 |
| 1.5. Research Questions and Hypothesis | 10 |
| 1.6. Significance of the Study | 10 |
| 1.7 Limitation of the Study | 11 |
| 1.8 Organization of the Study | 11 |

CHAPTER II

| | |
|--|-------|
| REVIEW OF LITERATURE | 13-38 |
| 2.1 Theoretical Review | 13 |
| 2.1.1 Nepal Bank Limited (NBL) | 13 |
| 2.1.2 Present Condition of NBL | 15 |
| 2.1.3 Agriculture Development Bank (ADBL) | 16 |
| 2.1.4 Present Condition of ADBL | 17 |
| 2.1.5 Objectives of the Banks NBL and ADBL | 19 |

| | |
|--|----|
| 2.1.6 Functional Areas of Banks | 20 |
| 2.1.7 Major Programs of NBL and ADBL | 21 |
| 2.1.8 Types of Loan | 23 |
| 2.1.9 Landing Areas of NBL and ADBL | 25 |
| 2.1.10 Interest Rate on Loan | 27 |
| 2.1.11 Loan Disbursement Procedure of NBL and ADBL | 29 |
| 2.1.12 Recovery Procedure of NBL and ADBL | 30 |
| 2.1.13 Security and Margin Requirements | 30 |
| 2.1.14 Terms and Conditions to Disbursement Loan | 31 |
| 2.2 Review of Previous Research | 34 |
| 2.3 Research Gap | 38 |

CHAPTER III

| | |
|--|--------------|
| RESEARCH METHODOLOGY | 39-45 |
| 3.1 Introduction | 39 |
| 3.2 Research Design | 39 |
| 3.3 Population and Samples | 40 |
| 3.4 Nature of Source of Date | 41 |
| 3.5 Data Processing Procedure | 42 |
| 3.6. Tools and Techniques of Data Analysis | 42 |
| 3.7. Variable Studies | 45 |
| 3.8. Procedure Employed | 45 |

CHAPTER IV

| | |
|--|--------------|
| PRESENTATION AND ANALYSIS OF DATA | 46-85 |
| 4.1 Introduction | 46 |
| 4.2 Loan Disbursement/ Recovery and Outstanding | 46 |
| 4.2.1 Nepal Bank Limited | 47 |
| 4.2.2 Agriculture Development Bank | 48 |
| 4.3 Purpose-wise Loan Disbursement, Recovery and Outstanding | 59 |
| 4.3.1 Nepal Bank Limited | 59 |
| 4.3.2 Priority Sector Loan | 60 |
| 4.3.3 Agriculture Development Bank | 69 |
| 4.4 Miscellaneous Analysis | 76 |
| 4.4.1 Non-performing Loan Analysis of Nepal Bank Limited | 77 |
| 4.4.2 Segregation of Total Loan of ADBL | 80 |
| 4.5 Analysis of Research Questions | 81 |
| 4.6 Major Finding from the Study | 85 |

CHAPTER V

| | |
|--|--------------|
| SUMMARY, CONCLUSION & RECOMMENDATIONS | 86-88 |
| 5.1 Summary | 86 |
| 5.2 Conclusion | 86 |
| 5.3 Recommendations | 88 |

BIBLIOGRAPHY

APPENDIX

LIST OF TABLES

- 2.1 Branches and Cover of District of NBL
- 2.2 Number of Branches of NBL
- 2.3 Share Proportion of NBL
- 2.4 Number of Branches of ADBL
- 2.5 Comparative Objectives Analysis of NBL and ADBL
- 2.6 Interest Rate Structure of NBL and ADBL
- 3.1 Value of r
- 4.1 Total Loan Disbursement and Outstanding of NBL
- 4.2 Total Loan Disbursement, Recovery and Outstanding of ADBL
- 4.3 Annual Growth Rate of Disbursed Loan of NBL
- 4.4 Annual Growth Rate of Disbursed Loan of ADBL
- 4.5 Annual Growth Rate of Outstanding Loan of NBL
- 4.6 Annual Growth Rate of Outstanding Loan of ADBL
- 4.7 Performances of Ricks Management Division Under the
Management of ICCMT of NBL
- 4.8 Annual Growth of Recovery of ADBL
- 4.9 Purpose-wise Loan Segregation of NBL
- 4.10 Trend Analysis of Loan Disbursement in Agriculture
- 4.11 Trend Analysis of Loan Disbursement in Cottage Industry
- 4.12 Trend Analysis of Loan Disbursement in Services Sector of NBL
- 4.13 Trend Analysis of Loan Disbursement in Hire Purchase
- 4.14 Trend Analysis of Loan Disbursement in Deprived Sector
- 4.15 Purpose-wise Loan Disbursement of ADBL's Commercial Banking Services
- 4.16 Purpose-wise Loan Recovery of ADBL's Commercial Banking Services
- 4.17 Purpose-wise Loan Outstanding of ADBL's Commercial Banking Services

4.18 Non-performing Loan Status of NBL

4.19 Segregation of Total Loan of ADBL

4.20 Comparison between NBL and ADBL

LIST OF FIGURES

- 4.1 Percentage of Disbursement to Outstanding of NBL
- 4.2 Percentage of Recovery to Disbursement and Outstanding to Disbursement of ADBL
- 4.3 Movement of Loan Disbursement of NBL
- 4.4 Movement of Loan Disbursement of ADBL
- 4.5 Movement of Outstanding Loan of NBL
- 4.6 Movement of Outstanding Loan ADBL
- 4.7 Movement of Recovery of ADBL
- 4.8 Agriculture Loan Disbursement Various Years, NBL
- 4.9 Cottage Industry of Loan Disbursement of Various Years, NBL
- 4.10 Services Sectors Loan Disbursement for Various Years,
- 4.11 Hire Purchase Loan Disbursement for Various Years, NBL
- 4.12 Deprived Loan Disbursement for Various Years, NBL
- 4.13 Loan Disbursement of Commercial Banking ADBL, Loan Portfolio Share Percentage by Purpose-wise
- 4.14 Loan Recovery of Commercial Department, ADBL by Purpose-wise
- 4.15 Loan Outstanding of Commercial Banking Department, ADBL by Purpose-wise
- 4.16 Non-performance Loan Status of Total Industry and NBL
- 4.17 Total Loan Segregation of ADBL

ABBREVIATION

| | | |
|------|---|--------------------------------------|
| ADB | = | Asian Development Bank |
| ADBL | = | Agriculture Development Bank Limited |
| A/C | = | Accounts |
| BOFS | = | Bank and Other Financial Services |
| BC | = | Before Charge |
| CBS | = | Central Bureau of Statistics |
| CPS | = | Central Product Classification |
| DSM | = | Dispute Settlement Mechanism |
| Exis | = | Existing |
| FDR | = | Fixed Deposit Receipt |
| FYs | = | Fiscal Years |
| FDI | = | Foreign Direct Investment |
| GDS | = | Gross Domestic Product |
| IMF | = | International Monetary Fund |
| LT | = | Long Term |
| MFN | = | Most Favored Nation |
| MT | = | Medium Term |
| NCC | = | Nepal Credit and Commerce |
| NG | = | Nepal Government |
| NFA | = | Net Foreign Assets |
| NBL | = | Nepal Bank Limited |
| NRB | = | Nepal Rastra Bank |
| NDA | = | Net Domestic Assets |
| NPC | = | National Planning Commission |
| ST | = | Short Term |
| WTO | = | World Trade Organization |